

September 16, 2002

Council of the District of Columbia

PUBLIC ROUNDTABLE ON "GENERAL OBLIGATION BOND ISSUANCE AUTHORIZATION
EMERGENCY RESOLUTION OF 2002"

Testimony of Dallas Allen, Director of Budget Formulation, Office of Budget and Planning, before the Committee of the Whole

Good morning, Chairman Cropp and members of the Committee. My name is Dallas Allen, and I am Director of Budget Formulation for the Office of Budget and Planning (OBP).

I am pleased to appear before you today to answer questions on the "General Obligation Bond Issuance Authorization Emergency Resolution of 2002." This bond resolution authorizes the financing the District needs to continue addressing its infrastructure requirements such as public transportation, roads and bridges, information systems, parks and recreational facilities, and public school facilities. I am presenting the following statement on the resolution for the record.

This resolution will authorize the borrowing of \$367,930,954. We arrived at this amount by first examining actual capital outlay expenditures for the first three quarters of FY 2002, then factoring in the projected expenditures for the fourth quarter of FY 2002, and finally by including all current outstanding commitments.

Historically, annual capital outlay expenditures are charged to the general fund and, subsequently, the general fund is reimbursed by General Obligation bond proceeds. The benefits of doing business this way are two-fold. First, it provides a mechanism for the District to measure and time cash flow projections to ensure that borrowing only occurs as needed, thereby reducing interest expense costs. Secondly, because state and local governments are being held more accountable, the need for better fiscal control and reporting becomes very important.

FY 2002 Performance

As you are aware, the District's capital program for many years was forced to defer routine maintenance, forego major capital investment and push obsolete equipment beyond safety guidelines. However, in recent years the program has gained tremendous momentum with investments in the areas of public safety, public education, healthcare and technology. The FY 2002 capital budget included approximately \$669 million in planned expenditures. To date, District agencies have spent \$600 million, or 90 percent. This represents a year-to-date increase of 24 percent over FY 2001. This spending increase is a clear indication of the commitment the Mayor has made to the citizens of the District of Columbia to improve service and program delivery, a vision that could never have been realized without the support and cooperation of this Council. However, to maintain this momentum and achieve all the intended outcomes, the Capital Improvements Program will require the continued commitment of all parties.

FY 2003 Programmatic Initiatives

In FY 2002 the Office of the Chief Financial Officer took aggressive steps to examine and assess the Capital Improvements Program both financially and programmatically. While the assessment is far from complete, the preliminary findings have provided some valuable information that we can now use as we move forward into FY 2003. The challenge we face, and my goal for the coming fiscal year, will be to improve accountability through better planning, coordination and budget execution. Starting in FY 2003, the program will institute measures to monitor agency performance by tracking the effective use of capital resources. In addition, as a cost savings initiative, agencies were required to absorb a 15.5 percent budget reduction within their capital budget. The savings generated from this reduction were used to finance only critical new and ongoing projects. Agencies were given the opportunity to reprioritize their programs by identifying projects that were dormant, low priority, postponed and/or eliminated. This budget reduction exercise netted approximately \$255 million in savings.

Moreover, as a result of the new Government Accounting Standards Board requirement (GASB 34), the District, along with other state and local governments, is now required to improve its financial reporting on general fixed capital assets. To improve efficiencies, my office, with the support of the City Administrator's office, is working collaboratively to develop new strategies, identify new funding streams and create synergy throughout every level of this government. Today, I am pleased to report that signs of progress can be found throughout many agencies in the District.

As I have stated before, my office remains committed to working with stakeholders and agencies to improve the development and implementation of the Capital Improvements Program.

Madam Chairman, I thank you and the other members of the Committee for the opportunity to testify before you today. I will be happy to respond to any questions that you may have.